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Selected Speeches and News Releases

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IN THIS ISSUE:

Remarks

U.S. Department of Agriculture • Office of Information

Remarks prepared for delivery by Secretary of Agriculture Richard E. Lyng before the 72nd Annual Meeting of the National Milk Producers Federation, Anaheim, California, November 30.

You may find it strange that a Secretary of Agriculture who has only a few weeks to serve would be speaking to you today. I find it a little strange myself. I was surprised when the leaders of the National Milk Producers Federation invited me, and I suspect they were somewhat surprised when I accepted.

Well, however it all came about, I am pleased to be here and especially to see a number of old friends.

As I see some of them, the memories of years gone by come to me. (This is the way with those of us who are past seventy.) I recall my first government experience with dairy farmers when I worked at the California Department of Agriculture over twenty years ago. I was director when the Gonzalvos Milk Pooling Act was first implemented. I became well acquainted, to say the least, with many California dairymen. Some are here today.

Later, in 1969, some of you helped educate me on the Federal milk marketing order program when I moved from the California government to USDA. That was an experience. I'll make a confession. I still don't fully understand Federal milk marketing orders. But I've learned enough and keep quiet enough that most people don't know the limits of my knowledge.

The years have passed. Much has happened. I'll never forget the dairy policy we inherited when the Reagan Administration came into office eight years ago. In essence, the law required an increase in the dairy price support each six months. Milk production was soaring, CCC stocks were building up, and CCC costs were skyrocketing. Nearly everyone agreed that something needed to be done. Late in March of 1981, the Congress passed a bill which would have frozen the support price at $13.10. The Congress sent it to the President on March 30. It had to be signed on March 31 to prevent a big increase on April 1. But a major problem came up. . .a shocking thing! On March 30 the President was seriously wounded in an attempt on his life!

It's still hard for me to believe, but early in the morning on March 31 the President signed the bill. None of us will forget that! It was a significant, courageous action which demonstrated clearly that Ronald Reagan was still our President.

Well, I can't stand here and reminisce all day. As I said, it's an old man's weakness.

Another weakness is to give advice, usually unwanted advice. I love to do that and am going to burden you with some of it today.

When I spoke to your organization at your 70th Annual Meeting two years ago in Las Vegas, we were looking ahead with some optimism. You will recall that:

* Milk prices were above support prices.
* Feed costs were down as a result of the 1985 Farm Bill.
* Milk production was lower.
* Commercial use of dairy products was up.
* CCC was purchasing far less in the dairy support program.

All of these things turned out, for a year or a year and a half, to continue as we expected. Much of the same could be said today, with the notable exception in feed costs. Drought driven, feed costs are a special burden. As is always true, costs due to natural disasters, like the Great Drought of '88 are never evenly spread. For some the losses are extreme, in spite of drought assistance legislation. For others, the costs are far more bearable.

As we talked to one another in December of 1986, we agreed I think, that though very costly, the whole-herd buyout was a success. (I received a different view from the cattlemen.) We also agreed that the 1985 Farm Bill should be left alone. And we agreed that dairymen had an opportunity to help themselves by being slow to aggressively expand production.

Dairy farmers did pretty well in controlling expansion. Dairy cow numbers dropped, nationally, in 1987 and so far in 1988. But our dairy farmers do such a good job that every cow produces more, so even though we have fewer cows, we still produce more milk.

At USDA, we have been expecting milk production through at least early 1989 to be below last year's levels because of the sharply higher feed costs and reduced forage. But so far, this has not happened.

Consumption looks good. It should be up nearly 2 percent this year. Although butter consumption is up a little in recent months, this product still poses a marketing challenge. In contrast, nonfat dry milk use is up nearly 62 percent from a year ago. A few months ago, world prices for nonfat dry milk reached the U.S. support level. This has stimulated exports which already total almost 150 million pounds. That's good news!

More good news! The net government expenditures on the dairy price support program are down, sharply. In FY 1986 they were $2.3 billion, in FY 1987 $1.2 billion, in FY 1988 $1.2 billion, but this year, FY 1989, because of reduced CCC stocks and low net removals, we expect to reduce net expenditures to $0.7 billion, the lowest since FY 1979! It is still a lot of money but we're surely moving in the right direction.

What is even more important is that milk prices are above support levels most of the time. That is the way it should be. Dairy support prices should be a safety net to be used sparingly. Support prices should not be high enough to become an incentive for overproduction. I believe in the need for dairy supports. Without support a milk surplus, even for a short time, could cause total collapse of the market, with heavy liquidation of the dairy herd. This, in turn, would be a massive destabilizer of milk supplies and would be politically, economically, and nutritionally unacceptable. That is why we need a dairy support program. But it should be a program that, like a fire department, is used only part-time, as needed.

The current situation is far better than it was eight years ago. The support price at $10.60 is working in a desirable fashion as CCC accumulations are indicating. There is, however, one blip on the horizon I would suggest you look at. That is the provision of the Drought Relief Act which calls for a 50 cent per cwt. increase in the support price for 90 days starting April 1, 1989. This may have looked like a good idea last summer during the worst of the drought. But I suggest you take a look at it now. I believe the dairy farmers would be better off over the longer term if this temporary increase did not take place. Congress would, if asked by your organization, reverse that. At a time, early next year, when the Congress, the new Administration, and the taxpayers are all concentrating their attention on the fiscal deficit, a request by the nation's dairy farmers to forgo a price increase would be widely applauded. Think about it. I know it sounds radical but after all, I am leaving office soon and won't be bothering this fine industry in the future.

Before I close I would like to express my personal appreciation for the way I have been treated by this nation's dairy farmers and this organization. We have not always agreed. But we have, somehow, been able to work together to accomplish a lot. There are many things I could list, but I wish to especially mention only two, the National Dairy Board and the National Commission on Dairy Policy.

The National Dairy Board has, in my view, been highly successful in its first five years. It has not only met the goals set for it by the nation's dairy farmers and by the Congress, but has exceeded these goals by large margins. The National Dairy Board has become a model for other commodity research and promotion organizations. I urge you to continue to support it with strength and vigor.

The National Commission on Dairy Policy, composed of 18 dairy farmers, made a huge contribution to an improved understanding of that mysterious subject, dairy policy. Some of their recommendations may be troubling to one group or another but what a difficult task they had and how well they did it. As we move along in changes in our overall farm policies, the work of this Commission will be an important source of policy recommendations.

Finally, may I say thank you for once again giving me an opportunity to speak to you. Thank you.

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News Releases

U.S. Department of Agriculture • Office of Information

USDA ANNOUNCES PREVAILING WORLD MARKET PRICE FOR UPLAND COTTON

WASHINGTON, Nov. 25—Acting Under Secretary of Agriculture Richard W. Goldberg today announced the prevailing world market price, adjusted to U.S. quality and location (adjusted world price), for Strict Low Middling (SLM) 1-1/16 inch (micronaire 3.5-4.9) upland cotton (base quality) and the coarse count adjustment in effect from 12:01 a.m. Friday, Nov. 25, through 12:00 midnight Thursday, Dec. 1.

Since the AWP is less than the 1987-crop and 1988-crop base quality loan rates of 52.25 and 51.80 cents per pound, respectively, the loan repayment rate for 1987-crop and 1988-crop upland cotton during this period is equal to the AWP adjusted for the specific quality and location.

Because the loan repayment rate for 1988-crop upland cotton in effect during this period is less than the established loan rate, loan deficiency payments will be paid to eligible producers who agree to forgo loan eligibility on their 1988-crop upland cotton. The payment rate for cotton sold during this period will equal the difference between the loan rate and the loan repayment rate.

The AWP will continue to be used to determine the value of upland cotton that is obtained in exchange for commodity certificates.

Based on data for the week ending Nov. 24, the AWP for upland cotton and the coarse count adjustment are determined as follows:

Adjusted World Price

Northern Europe Price		58.23
Adjustments:		
Average U.S. spot market location	10.91	
SLM 1-1/16 inch cotton	2.00	
Average U.S. location	0.44	
Sum of Adjustments		-13.33
ADJUSTED WORLD PRICE		44.90 cents/lb.

Coarse Count Adjustment

Northern Europe Price	58.23
Northern Europe Coarse Count Price	-52.87
	5.36
Adjustment to SLM 1-inch cotton	-4.15
COARSE COUNT ADJUSTMENT	1.21 cents/lb.

The next AWP and coarse count adjustment announcement will be made on Dec. 1.

Charles Cunningham (202) 447-7954

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USDA SEEKS COMMENTS ON UPLAND COTTON ADJUSTED WORLD PRICE REGULATIONS

WASHINGTON, Nov. 25—The U.S. Department of Agriculture today requested public comments on proposed amendments to the adjusted world price regulations for upland cotton to clarify the procedure for selecting the price quotations used to calculate the northern Europe price and the northern Europe coarse count price when both the current shipment prices and forward shipment prices are quoted.

In early 1989, two daily price quotations for each of the growths quoted for Middling one and three-thirty-second inch (M 1-3/32 inch) cotton C.I.F. (cost, insurance, freight) northern Europe and coarse count cotton C.I.F. northern Europe will be available. One price quotation will be for cotton for shipment no later than August/September of the current calendar year (current shipment price) and the other quotation will be for

cotton for shipment no earlier than October/November of the current calendar year (forward shipment price).

Forward shipment prices will be introduced during the early months of each calendar year. From the time of introduction through July 31 of that year, both current shipment prices and forward shipment prices will be quoted daily. From Aug. 1 until early the following calendar year when forward shipment prices are again introduced, only one daily price quotation for each growth will be available.

In calculating the northern Europe price and the northern Europe coarse count price, USDA proposes a six-week transition period from using current shipment prices to using forward shipment prices to avoid a dramatic change in the adjusted world price that could occur with no transition period, due to differences between new and old crop price quotes.

In the past, price quotations for June, July and August have not been used in the calculation of the adjustment of the northern Europe price to average designated U.S. spot market location to ensure that the transition from old crop price quotations to new crop price quotations did not cause undue aberrations in the adjustment.

USDA proposes to consider price quotations for June, July and August and to use current shipment prices in the calculation of the adjustment of the northern Europe price to average designated U.S. spot market location during June and July. However, there may be weeks at any time of the year when the difference between the average price quotations for the U.S. Memphis territory and the California/Arizona territory as quoted each Thursday for M 1-3/32 inch cotton C.I.F. northern Europe and the average price of M 1-3/32 inch (micronaire 3.5 through 4.9) cotton as quoted each Thursday in the designated U.S. spot markets may be substantially above or below actual transportation costs thereby resulting in a 52-week average that does not reflect actual costs.

USDA proposes that in determining the 52-week average, any week in which the difference between the averages of the two prices is: (1) More than 115 percent of the estimated cost of transporting U.S. cotton to northern Europe, then 115 percent of the estimated cost be substituted for that week, or (2) Less than 85 percent of the estimated cost of transporting U.S. cotton to northern Europe, then 85 percent of the estimated cost be substituted for that week.

Details of proposed amendments to the adjusted world price regulations will appear in the Nov. 25 Federal Register.

The public is invited to send comments by Dec. 27 to: Director, Commodity Analysis Division, USDA/ASCS, P.O. Box 2415,

Robert Feist (202) 447-6789.

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USDA IMPLEMENTING STREAMLINED INSPECTION SYSTEM FOR YOUNG CHICKENS

WASHINGTON, Nov. 28—The U.S. Department of Agriculture announced today that a new slaughter inspection system for young chickens is being aopted as part of its inspection modernization efforts. The final rule will be effective Dec. 21.

"The Streamlined Inspection System for poultry is part of our continuing effort to increase inspection efficiency without compromising consumer protection," said Dr. Lester M. Crawford, administrator of USDA's Food Safety and Inspection Service.

"We have decided to utilize this cost-effective inspection method for broilers and cornish game hens," Crawford said. FSIS established the new system in January 1986 under an interim final rule, which allowed the agency to receive comments.

The streamlined inspection system for young chickens is one of several new inspection systems implemented since 1979. Under the program, inspectors determine which birds are to be salvaged, reprocessed, condemned, retained or passed subject to reinspection after slaughter. Then plant employees, following the inspector's directions, mark carcasses and perform any necessary trimming. Trimming and processing operations are monitored through statistical sampling to ensure that products meet federal standards for wholesomeness and acceptability.

The system is being used in approximately 145 poultry plants that process cornish game hens and broilers, and is working well, Crawford said. This represents the majority of plants slaughtering young chickens.

Twenty-eight comments were received on the interim final rule, including 20 from poultry processors, four from meat and poultry industry associations, and two from USDA employees associations. FSIS added a time limit for conducting certain finished product tests to ensure uniform application of the standard, revised an inspection form to make it consistent with the new system, and made a few more minor technical

changes in this final rule. The final rule was published in the Nov. 21 Federal Register.

FSIS inspects meat and poultry to ensure that they are safe, wholesome and accurately labeled.

Richard Bryant (202) 447-9113

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USDA SEEKS COMMENTS ON PROPOSED AMENDMENT TO DAIRY PROMOTION AND RESEARCH ORDER

WASHINGTON, Nov. 29—The U.S. Department of Agriculture is requesting public comments on a proposal to change the composition of the National Dairy Promotion and Research Board. The board administers the Dairy Promotion and Research Order authorized by the Dairy Production Stabilization Act of 1983.

J. Patrick Boyle, administrator of USDA's Agricultural Marketing Service, said the proposal would shift a board seat to Region 2 (California) from Region 5 (Minnesota, North Dakota, and South Dakota). The 36-member board of dairy farmers proposes the shift to reflect changes in milk production since the initial board was established four years ago, he said. The 1983 act authorizing the order requires that the board reflect national milk production patterns.

Appointed by the secretary of agriculture from dairy industry nominees, the board administers a producer-funded annual budget of approximately $72 million gained from assessments on milk as it moves from the farm. The board funds projects to improve the position of milk in the marketplace, with the projects submitted to the secretary of agriculture for review.

AMS monitors the promotion and research order.

The proposal was published today in the Federal Register. Comments, postmarked no later than Dec. 28, may be sent to the Dairy Division, AMS, USDA, Room 2698-S, P.O. Box 96456, Washington, D.C. 20090-6456.

Clarence Steinberg (202) 447-6179

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USDA SEEKS COMMENTS ON 1989 PULLED WOOL AND MOHAIR SUPPORT PRICES

WASHINGTON, Nov. 29—The U.S. Department of Agriculture is seeking comments on the method for calculating the support price for pulled wool and proposed price support levels for pulled wool and mohair for the 1989 marketing year.

The National Wool Act of 1954, as amended, says that the support price for pulled wool shall be set at a level relative to the support price for shorn wool to maintain normal marketing practices for pulled wool. The law also provides that mohair must be supported at a level, determined by the secretary of agriculture, that is necessary to maintain approximately the same percentage of parity as for shorn wool. The deviation of mohair support prices shall not cause an increase or decrease of more than 15 percent from the comparable percentage of parity at which shorn wool is supported.

The shorn wool support price is determined based upon a formula prescribed in the Wool Act. Based on current reported indices, the 1989 shorn wool support price will be $1.77 per pound (grease basis).

A preliminary regulatory impact analysis on the options may be obtained by writing to: Director, Commodity Analysis Division, USDA/ASCS, Room 3741-S, P.O. Box 2415, Washington, D.C. 20013 or by calling (212) 475-4645.

Comments must be received at the above address by Jan. 27, 1989. All comments will be available for public inspection in Room 3760-S of USDA's South Building during regular business hours.

Bruce Merkle (202) 447-6787.

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USDA ESTABLISHES OFFICE TO ASSIST AGRICULTURAL EXPORTERS

WASHINGTON, Nov. 29—The U.S. Department of Agriculture today announced the establishment of a Trade Assistance and Planning Office to assist U.S. exporters of agricultural products.

The new office, part of USDA's Foreign Agricultural Service, will provide a wide range of information to exporters, including information on foreign export trade barriers, unfair trade practices, and remedies

under U.S. law for persons who may have been injured by unfair trade practices.

FAS Administrator Thomas O. Kay said the activities of the Trade Assistance and Planning Office will be an important part of USDA's export development programs. "This new office will benefit U.S. producers by helping them compete in the world market," he said.

The office also will coordinate the preparation and submission of an annual Long-Term Agricultural Trade Strategy Report to Congress, which must be submitted with the USDA budget each fiscal year. The report will cover trade goals, recommended policies and programs, and recommended spending levels for one-year, five-year and 10-year periods.

The office is authorized by the 1988 Omnibus Trade and Competitiveness Act.

James E. Ross has been named director of the office. Ross' previous USDA posts include agricultural counselor to Egypt, Korea and Venezuela, representative to the Food and Agricultural Organization in Rome, and assistant administrator and assistant general sales manager of export credits.

Sally Klusaritz (202) 447-3448

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USDA ANNOUNCES PREVAILING WORLD MARKET RICE PRICES

WASHINGTON, Nov. 29—Acting Under Secretary of Agriculture Richard W. Goldberg today announced the prevailing world market prices of milled rice, loan rate basis, as follows:

—long grain whole kernels, 9.87 cents per pound;

—medium grain whole kernels, 9.08 cents per pound;

—short grain whole kernels, 9.01 cents per pound;

—broken kernels, 4.94 cents per pound.

Minimum loan repayment rates for 1987 crop loans are the higher of the world price or 50 percent of the loan rate. For 1988 crop rice, the minimum repayment rates are the higher of the world price or 60 percent of the loan rate.

Based upon these prevailing world market prices for milled rice, rough rice world prices are estimated to be:

—long grain, $6.10 per hundredweight;

—medium grain, $5.69 per hundredweight;

—short grain, $5.44 per hundredweight.

The prices announced are effective today at 3:00 P.M. EDT. The next scheduled price announcement will be made Dec. 6 at 3:00 P.M. EDT, although prices may be announced sooner if warranted.

Gene Rosera (202) 447-5954

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USDA ANNOUNCES 1989 EXTRA-LONG STAPLE COTTON PROGRAM PROVISIONS

ANAHEIM, Calif., Nov. 30—Secretary of Agriculture Richard E. Lyng today announced a five-percent acreage reduction for the 1989 extra-long staple cotton program.

The following program provisions apply:

—the established target price will be 96.7 cents per pound;

—the loan level will be 81.77 cents per pound;

—recourse loans for ELS seed cotton will be made available;

—the sign-up period will be Dec. 19 to April 14, 1989, the same as for wheat, feed grains and upland cotton. The following previously announced provisions remain unchanged:

—ELS cotton will not be subject to limited cross compliance provisions;

—offsetting compliance will not apply;

—production of non-program crops on acreage idled under the various acreage reduction programs will not be permitted;

—grazing of acreage conservation reserve (ACR) land will be permitted, except during a five-consecutive month period between April 1 and Oct. 31, 1989, as established by the state Agricultural Stabilization and Conservation Committees;

—haying of ACR in the same period will not be permitted unless the state ASC Committee determines that haying will not have an adverse economic effect in that state;

—in the event of a natural disaster, haying and grazing of ACR may

also be permitted during the prohibited five-month period in counties adversely affected by disaster conditions.

Sign-up dates, micronaire discounts, loan levels for individual qualities and other details of the 1989 ELS cotton program will be announced later.

Bruce Merkle (202) 447-8206.

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